NCA
VOC FOR IOP/FN
BACKGROUNDER 1-4050 MARCH 26, 1976
FEINBERG/HOUSTON

MIDDLE EAST AND THE WORLD ECONOMY

ANNCR:

RISING OIL REVENUES ARE REAPING BIG ECONOMIC GAINS IN THE MIDDLE EAST. VOA BUSINESS EDITOR FRANK FEINBERG HAS THIS BACKGROUND REPORT FROM THE HOUSTON WORLD TRADE CONFERENCE, WHERE OIL IS A MAJOR AGENDA TOPIC.

VOICE:

EGYPT'S OIL MINISTER AHMED HILLAL AND OTHER SPEAKERS AT THURSDAY'S SESSION OF THE HOUSTON TRADE CONFERENCE EMPHASIZED THAT THE INCOMES FROM OIL REVENUES ARE TRANSFORMING ONE OF THE WORLD'S OLDEST CIVILIZATIONS. THOUSANDS OF MILLIONS OF DOLLARS NOW BEING ALLOTTED FOR DEVELOPMENT ARE CHANGING THE FACE OF THE ENTIRE REGION. HOUSING, PORTS, NEW INDUSTRIAL PLANTS, ALL ARE RISING FROM ONCE DESOLATE AREAS OF SAND. AS TEYMOUR ALI REZA -- A PROMINENT SAUDI INDUSTRIALIST -- TOLD THE CONFERENCE, THE SAUDI GOVERNMENT ALONE WILL BE SPENDING ONE HUNDRED AND FORTY-FIVE THOUSAND MILLION DOLLARS IN THE NEXT FIVE YEARS TO. TO THIS MUST BE ADDED THE MANY THOUSANDS OF MILLIONS OF DOLLARS BEING SPENT BY IRAN, IRAQ, SYRIA AND OTHER COUNTRIES IN THE REGION.

ROBERT SPAT OF THE WORLD OIL MAGAZINE, ANOTHER SPEAKER AT THURSDAY'S SESSION, POINTS OUT THAT THE UNITED STATES, JAPAN, AND WESTERN EUROPE, WILL IN TURN BENEFIT FROM SUPPLYING SOPHISTICATED SERVICES AND MATERIALS TO THE MIDDLE EAST. THE MORE INDUSTRIALIZED STATES, FOR THE MOST

PART, HAVE MANAGED TO WITHSTAND THE INITIAL SHOCK OF MUCH HIGHER OIL PRICES AND HAVE ABSORBED THE COST WITH VARYING DEGREES OF SUCCESS.

BUT AS ADOLPH WARNER AND CLAUDE MEDARD, TWO INTERNATIONAL OIL ECONOMISTS, TOLD THE CONFERENCE, IT IS THE LEAST DEVELOPED COUNTRIES WHO HAVE SUFFERED THE MOST. THE QUADRUPLING OF OIL PRICES HAS HARMED THEIR FINANCIAL POSITION ACUTELY. AND IT HAS INCREASED THEIR COMBINED FOREIGN EXCHANGE REQUIREMENTS BY TEN THOUSAND MILLION DOLLARS A YEAR. THEIR BALANCE OF PAYMENTS POSITION HAS SUFFERED, SINCE OIL PRICES HAVE INCREASED THEIR IMPORT COSTS FOR FERTILIZER AND OTHER NECESSITIES.

THE LEAST DEVELOPED COUNTRIES ARE EXPECTED TO GET HELP FROM THE O-P-E-C OIL FUND, THE INTERNATIONAL MONETARY FUND, THE WORLD BANK, THE UNITED STATES AND OTHER GOVERNMENTS. AND THEY HOPE TO BE ABLE TO WEATHER THEIR ECONOMIC STORM UNTIL THEIR FINANCIAL POSITION IS SUBSTANTIALLY IMPROVED. HOWEVER, GENE WOODFIN -- AN AMERICAN OIL EXECUTIVE -- POINTS OUT THAT AT SOME TIME IN THE FUTTURE IT MUST BE POSSIBLE TO CONCLUDE AGREEMENTS THAT WOULD ENSURE FAIR PRICES FOR BOTH PRODUCERS AND CONSUMERS OF OIL. IN THE INTERIM, HE SAYS, THERE IS NEED FOR MORE INTERNATIONAL TALKS, IN REALISTIC TERMS, IN ORDER TO BRING THIS ABOUT.

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